LUMBER REPORT

Forest PAC struggles to meet election test

(Continued from page 19)
the company's for which they work must first sign a form authorizing the NFPA to solicit contributions from its employees.

So along with the difficulty of getting people to reach into their own pockets, rather than corporate coffers, there is an added administrative burden.

Also, traditionally, the NFPA has not been as aggressive politically as some other trade associations in housing-related fields. For example, the National Assn. of Home Builders is planning to send 30 to 40 delegates to both the Republican and Democratic conventions this summer.

"There will be housing receptions and caucuses at both conventions," NAHB president Peter Herder told NFPA members during their Washington meeting.

That conference reflected recent changes in the NFPA, which indicate that the organization could be expected to be more vocal on forest and housing and general economic issues in the future.

Members who in the recent past spent their conference in the Nation's Capital discussing, among themselves, the industry and the organization, went to Congress to convey their message.

That change reflects a wider shift in philosophy, organizational structure and management at the NFPA. Earlier this year David Stahl left the top staff post at the home builders trade association to become president of the forest products group.

According to Stahl, the home builder's PAC went from spending $35,000 in 1978 to becoming, "when I left, the third-largest PAC in the United States at $1.2 million."

Stahl's goal for the NFPA's PAC, after attempting to raise $75,000 this year, is to reach $200,000 for the elections in 1986.

Ironically, at the same time it was establishing these goals, the NFPA, for budget reasons, was forced to let five staff members go, including a top housing lobbyist.

The pressure to maintain an effective NFPA PAC is increasing, however, according to Baxter, its chairman. everyone running for office seems to be asking for more money because of the increased cost of campaigning. While the cost of Senate fund raisers was in the $100-to-$500 range several years ago, $1,000 is now the rule.

Stahl added that the maximum contributions allowed under law—$5,000 to $10,000 depending on circumstances—are now often seen by politicians as minimum contributions.

Mitchell Daniels executive director of the National Republican Senatorial Committee, who addressed the NFPA conference along with his Democratic counterpart, underscored the need for an effective forest products PAC.

The conservationists, he said, "are not only effective with their PACs, but enjoy the presumption of moral correctness everytime they speak."

New sawmill, treating and laminate guide published

NEW ORLEANS—A free 32-page listing of sawmills, treating and laminating facilities affiliated with the Southern Forest Products Assn. is now available to lumber buyers.

The 1984 Buyer's Guide includes products, daily capacity, equipment and items manufactured by S.F.P.A.-member mills. For the first time, the 1984 edition lists S.F.P.A.-affiliated treater and laminator members. Treater listings include annual capacity, preservatives and pressure treated products. Laminator listings indicate types of products, finishes and specialty structures. The addresses and telephone numbers of sales managers for each company are also listed.

To obtain a copy of the 1984 Buyer's Guide, interested persons should write to: S.F.P.A., P.O. Box 52468, New Orleans, La. 70152.

Georgia-Pacific buys St. Regis' Mississippi mill

ATLANTA—Georgia-Pacific and the St. Regis Corp. have entered into a definitive agreement under which Georgia-Pacific will purchase St. Regis' linerboard and kraft paper mill in Monticello, Miss., 16 corrugated container plants, related timberlands and cutting contracts, and some current assets.

Georgia-Pacific will pay St. Regis $232.5 million in cash and a $110 million note and acquire St. Regis stock for $124.5 million in cash and $27.7 million in zero-coupon notes from Loews Corp. During a five-year period, St. Regis can take back the stock for extinguishment of the $110 million note.

"We have stated for some time that we planned to add linerboard capacity in the eastern United States where we currently have none," said G-P chairman T. Marshall Hahn Jr. "The Monticello mill fulfills that objective by providing us with modern world-scale facilities and excellent timberlands as well."

Genstar divides into separate divisions

DALLAS—Building materials manufacturer Genstar is dividing its building materials company into two entities, Genstar Roofing Products and Genstar Gypsum Products, officials said.

Genstar Roofing will make Flintkote asphalt roofing and related products while Genstar Gypsum will include the company's Canadian gypsum operations and manufacture Flintkote gypsum products. Each entity will be headed by a separate president to be named later, according to officials.

They said the new organization and alignment will permit better focus on individual product lines, increase manufacturing productivity and enhance customer service.

Preway acquiring Arkla Industries

WISCONSIN RAPIDS, Wis.—Preway, maker of prefabricated fireplaces and space heaters, has signed a definitive agreement to acquire the business and assets of Arkla Industries, the gas barbecue grill subsidiary of Arkla Inc., Evansville, Ind., according to William Thomas Jr., Preway president and ceo.

The purchase, with expected completion date around the end of this month, will include the manufacturing plants and sales facilities of two divisions of Arkla Industries.

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Home center sales shine through rainy 1st qtr.

(Continued from page 1)

those contacted feel that sales over the rest of the year will level off due to higher interest rates and a general exhaustion of pent-up consumer demand.

Still, home center operators are as dependent on weather as the economy is on interest rates. Here is just a sampling of how retailers fared in different parts of the country:

• In the Northeast, where temperatures rose to 7° above normal in February and rainfall from February through April was 20% to 50% above normal, Somerville Lumber reported average sales increases of 25% to $17.6 million over this time last year for its two stores in Massachusetts.

Said Harold Cohen, the company's vice president. "We had mild weather in January and February which helped our sales then. Our spring weather was lousy but business was good nonetheless, so it should be fabulous once outdoor building materials start moving."

• In the Midwest, freak snow storms struck many areas in April. Precipitation rose to 84% above normal, curtailing some sales for the month. Payless Cashways, which operates 139 stores in the Midwest and Southwest, experienced only a 12% increase to $98.1 million in March and an April increase of 16% to $95.9 million.

These are considerably less dramatic than the company's 1983 year-end growth of 43% over 1982. "I doubt we're going to approach that kind of growth this year," said Steve Lightstone, Payless' vice president of finance. "Many of our markets were seriously impacted by the bad weather."

• In the Southeast, where rainfall and temperatures were normal through April, The Home Depot reported first quarter net sales increases of 123% to $95.9 million compared to last year. This figure includes sales from nine stores opened since last year.

Similarly, Scotty's has experienced sales increases. The Winter Haven, Fla.-based chain reports that March sales were up 26% and April sales were up 12% to $36.6 million. But, says Dennis Stultz, executive vice president of Scotty's, "we're already seeing a decline in builder sales which account for one-third of all our business."

• Perhaps most dramatic of all has been the revival of home centers in California after last year's miserable winter. Chandler Lumber, a two-store chain in Van Nuys, Calif., has seen a 97% increase in sales to $14 million in the first four months of this year.

"Weather has had a lot to do with our sales," said E. L. Newkirk, Chandler's president. "The weather last year really put sales off, but even over a two-year period, we're doing well. Sales are up about 50% over 1982."

Some retailers across the country are optimistic that the weather may have only postponed sales in some parts, not canceled them. "April is coming back stronger as proof that people only postponed their purchases," says Ted Tanase, chairman of Seattle-based Lanoga. His company saw a 20% increase in sales in April vs. an 18% increase the preceding three months. However, Tanase plans to increase his company's inventory levels by a paltry 5% despite an anticipated 18% increase in sales this year. Said Tanase, "We are dropping inventory levels because we think the second half of this year will not be as strong as the first half."

Star Lumber, a three-store chain in Wichita, Kan., is also taking a more conservative stance toward the rest of the year, according to Dave Gregory, the company's advertising and public relations manager. Although first quarter sales were up 32%, Gregory foresees only a 15% increase in the company's growth for 1984.

"I expect sales to flatten out as the year progresses," he said. Terry Meek, president of Meek Lumber's eastern division agrees. "Across the nation, the pent-up demand on the part of the market has largely been met."

Meek Lumber, a 19-store chain based in Springfield, Mo., saw first quarter increases of 33%. But, says Meek, "We will be lucky to meet last year's sales from Labor Day on."

Retailers also note that lumber prices are climbing back up to normal levels after plummeting in February through April.

"There has been a lumber oversupply in the last two months," says Brian Fingerle, president of Fingerle Lumber, a $23.4 million two-store lumber chain in Ann Arbor, Mich. "The lumber market hit bottom and is bouncing up now."

Tanase at Lanoga said the drop in prices has posed a problem to retailers earlier this year because they couldn't recoup much profit on cheap lumber. "Lumber is 25% of our business. If the prices come down the way they did in 1982, it will hurt the business because you can't make the same money when lumber prices are low."

Some retailers have had to drop their margins to compete in an increasingly aggressive market. O'Malley Lumber, with stores in Arizona and Texas, has felt the price pressure of Home Depot's arrival in Arizona, according to Paul Conley, O'Malley's assistant general manager at the company's Phoenix headquarters. Said Conley, "There is so much competition here I can't believe it."

Similarly, Rickel Home Centers, a 37-store eastern chain, based in South Plainfield, N.J., has cut margins when it finds itself in direct competition with other home centers. "We have always been extremely sensitive to competition," says Chuck Davis, Rickel's president. "We have approached competition by adjusting our margins."

Worthington introduces industrial sales plan

(Continued from page 3)

nars, dealers are also instructed on billing procedures and terms; differences (and legalities) between verbal and written quotations; when it's correct to substitute one product for another in an order; how to ensure prompt payment and smooth receivables, and how to handle ledger transactions and make sales calls.

Once a retailer is in the program, he can offer accounts an expansive array of products, such as professional cutting tools, material handling equipment, precision measuring tools, industrial rubber products, industrial cleaning supplies and a specialized line of hardware and fasteners, to name but a few of the lines available.

Of the 35,000 stock keeping units Worthington inventories in its new 440,000-sq.-ft. distribution center, about 9,000 sku's are designated "pure, industrial items," although the company, said Fusco, does not differentiate between what is sold at retail and what can be bought by industrial accounts.

While commercial companies can order from a listing of 250,000 industrial products, Fusco felt that as much as 60% of all orders would be filled either out of the participating dealer's existing stock, or from Worthington's distribution center, which it moved into on March 26.

Along with the training and the expanded product mix, dealers also receive a promotional kit that includes in-store signage, ad slicks, store banners, posters and material packets that can carry along on sales calls.

The wholesaler has field reps servicing each store who can assist dealers with any problems they might run into in selling industrial customers. And, for additional product knowledge, Worthington has developed a 36-chapter, 225-page booklet that gives extensive explanations of the products being sold in the program, and their various applications and installation.

Worthington dealers are also given a 1,600-page product information catalog, known as "The Blue Book," which lists all the sku's being stocked at the warehouse, their prices and other information such as delivery schedules, product liabilities and service fees. This book has also served as a marketing tool for some dealers: according to Fusco, one dealer—Martin Brothers Hardware in Wysox, Pa.—has ordered 102 books for various commercial customers, "which indicates what kind of business connections you can make in this program if you're aggressive."

Dealers in Worthington program find initiative key to accounts

NEW CARLISLE, Ohio—When Fred Hess, the owner of Hess Hardware and Home Center here, first signed up to participate in Geo. Worthington Co.'s Industrial/Commercial program last January, he did not realize how different it would be from marketing products to consumers in his store.

"This kind of thing takes some effort," he said in a telephone conversation. "You can't just hand a commercial customer your product book and expect to get his business."

Aggressiveness is key

Hess, like many of the 75 dealers in the Worthington program, has found that dealer aggressiveness and initiative are the keys to developing industrial accounts that will produce ancillary sales for his store. "When we first started in April, I began wondering after the first month 'when is this going to happen for us.' But now we're starting to see some benefits."

Hess said he has set up contacts with motels, schools, churches, and city and county government offices, supplying such things as cleaning supplies, light bulbs, paper towels, high-grade drill bits and so forth. "We just got some of the maintenance business for the rental homes of a local builder."

While Hess Hardware has only written about $2,000 worth of industrial sales through the middle of May, its owner was enthusiastic about the program. "That may not be a lot of business, but it's more than we would have gotten if we weren't in the program. Now industrials know we stock this stuff, and it's easier to sell to them."

Art Fusco, Worthington's marketing vp who supervises the program, pointed to another dealer whose store has increased its industrial business 60%—from $10,000 to $16,000—in one month through stepped up solicitation. He also said that orders of $4,500 to $5,000 per account were becoming commonplace among participating dealers.

Program offers opportunity

He declined to comment on what sales goals Worthington was shooting for in the first year of the program—which is separate from the distributor's 20-person industrial sales force that sells to larger accounts like automobile factories and construction companies—and he would not say what the average sales per client was among dealers.

But he insisted the program offered "opportunities for our retailers even we didn't originally think were out there."

Housing starts rebound in April

(Continued from page 2)

starts were 26.7% above last year's figure of 1.55 million units, seasonally adjusted.

Promising increases

All regions showed an increase over March with the South recording a 24.6% increase to 1.01 million units, seasonally adjusted. The North Central region had the smallest increase, just 0.4%.

Total building permits, an indicator of future housing activity, leveled off in April, to 1.7 million, a 0.1% decline from March. Single-family permits were down 3.7% to 936,000 units, seasonally adjusted.

Only two regions showed an increase in building permits: the South was still strong with 875,000 units, an increase of 8.3% over March, and the North Central region was up 1.9% to 211,000 units. The West dropped significantly by 12.9% from March to 460,000 units.

NAHB predicts housing start drop

(Continued from page 2)

Worth area over the next year. Starts will drop to 847,000 units, but this still accounts for around 5% of total housing starts forecast for 1984.

Houston, is currently affected by an 18% vacancy rate in apartments, which will slow down multifamily starts, and the building of rehab units will cause single family housing demand to slow too. Housing starts are predicted to drop by 21% from their 1983 level.

Denver, currently has an 8% apartment vacancy rate and is being hit by a recession in the mining and energy sectors, thus slowing the demand for housing. This area has the highest predicted decline with a 35% drop from 1983 to 20,000 units.

Florida, however, will see increased housing activity in 1984. Housing starts in West Palm Beach will rise by 33.6%, in Fort Lauderdale by 33.5% and in Miami by 17.9%.

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Pay 'N Pak Warehouse Outlet storms Hawaii

Low price format lights Island's competitive fire

HONOLULU—The day before Pay 'N Pak's warehouse Outlet opened here last month, the company held a "Kahuna" ceremony in which a local minister tied a Maile plant to the front door of the store and offered a benediction.

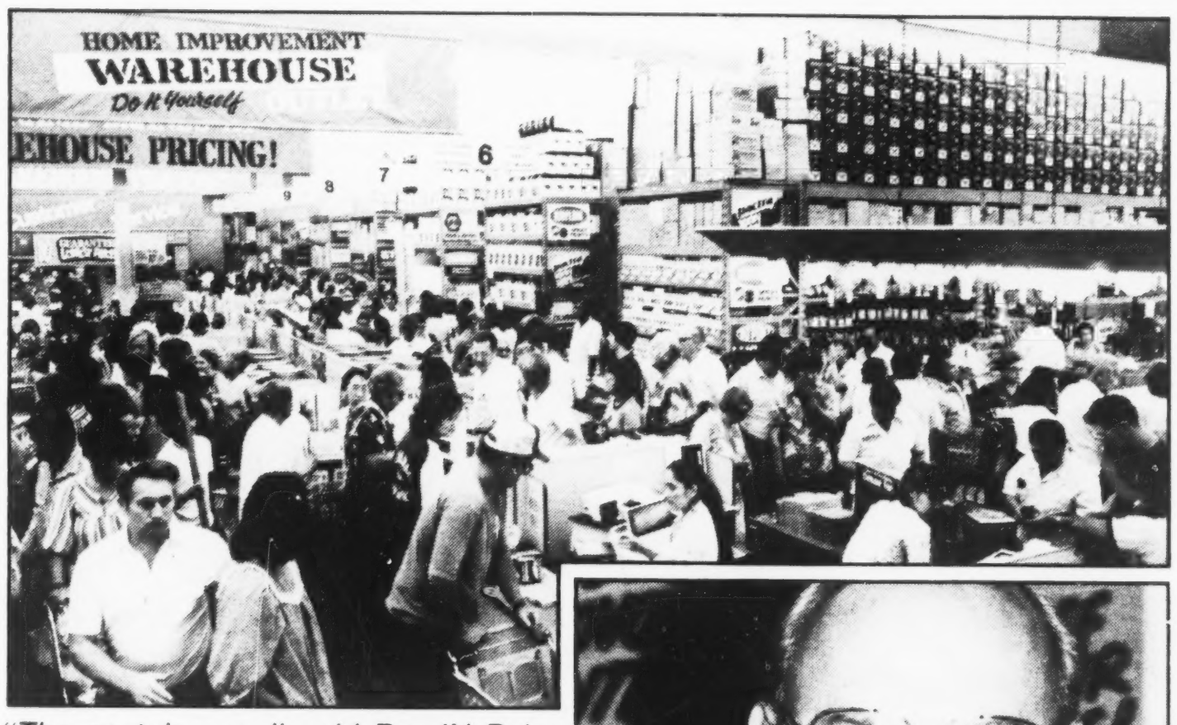
"This symbolism shows that something very special has happened," said the minister, David Kaupu. "The Warehouse Outlet is now part of our land."

It is a land of about a million people scattered over eight major islands, although most of the population lives on the third largest, Oahu.

Building material and hardware sales amount to only $67.5 million annually, according to Sales and Marketing Management's 1983 Survey of Buying Power, which makes the Hawaii market roughly the same in size as Chico, Calif., or Fort Wayne, Ind.

Until now, $27 million of that business has belonged to City Mill, which dominates the Hawaiian home center business with five stores—the fifth opened March 1—and has been operating on the islands since Chung Kun Ai founded a lumber importing firm there in 1899.

Also, there are 116 retailers of "building and garden supplies" in Hawaii, according to the U.S. Department of Commerce, Bureau of Census, including companies like $5 million independent Atlas Building Materials and two-unit Timbertown.



"The party's over," said Pay 'N Pak chairman David Heerensperger, referring to his competitors' price policies. Opening day crowds of over 40,000 people filled the 81,000-sq.-ft. Honolulu Warehouse. NHCN photos

Many competitors assert that it will take more than "Kahuna" incantations to make Warehouse Outlet a success in Hawaii.

"The suede shoe boys from the mainland think this is an easy market, but it's

(Continued on page 50)

Opening day's volume surpasses $300,000; pace set for $1M week

By Brad Altman
NHCN West Coast editor

HONOLULU—Pay 'N Pak launched its 81,000-sq.-ft. Home Improvement Warehouse Outlet here in a spectacular Memorial weekend grand opening that company officials said could reap nearly $1 million in first-week sales.

Opening-day sales surpassed $300,000, with about 10,000 customer transactions taking place from 9 a.m. to midnight, Thursday, May 24. Sixteen cash registers rang continuously as 140 employees worked overtime to handle a throng estimated at more than 40,000 people, some of whom waited 90 minutes in the hot tropical sun for an opportunity to enter the store.

"It's un ---ingbelievable," a weary but elated David Heerensperger, chairman and ceo, said of his chain's 102nd and largest unit's immediate market impact. "It's above and beyond anything we expected, and we expected a lot."

Heerensperger, clad in a beige-and-orange Aloha shirt similar to one worn by all employees, was forced to close the doors at one point to thin out the jammed store. Traffic snarls on Nimitz Highway in the city's Iwilei district in front of the store were causing 30-min-

(Continued on page 50)

Home center nursery departments, like this one at Payless' Visalia, Calif., Lumberjack, are reporting exceptional sales so far this year. But supply shortages are hampering dealers in some parts of the country. NHCN photo

A good-news, bad-news dilemma

Spot shortages undercut strong greengoods sales

By John Caulfield
NHCN senior editor

NATIONAL REPORT—Early this spring, 109-unit Scotty's sold 100,000 azaleas, priced at 99¢ each, in one day during what product manager Paul Blake called "one of the biggest promotions we ever ran.

"But once we sold our first purchase," he added, "there was nothing else left to buy. The shortage of plants in our market has really affected our ability to make larger purchases for promotions."

Scotty's dilemma typifies a "good news-bad news" bind now gripping the home center industry. While sales of live plants and shrubs have been exceptional so far this year, they have been hampered by spot shortages in supply due

(Continued on page 49)

Foxworth-Galbraith purchases foundering 9-store Texas chain

DALLAS—The 55-unit Foxworth-Galbraith Lumber Co. has purchased for an estimated $4 million the remaining nine stores of the W. F. & J. F. Barnes Lumber Co., based in Waco, Tex. The acquisition puts Foxworth-Galbraith into the central and southwest Texas markets for the first time.

The location of the Barnes stores in these markets is what lured Foxworth-Galbraith officials to the chain, which they say has been sliding downhill for the past several years. Nearly all of the Barnes stores, with the exception of its 13,000-sq.-ft. unit in Waco, will undergo extensive remodeling and remerchandising by their new owner over the next several months.

"The chain, when we bought it, was in very bad shape, and its store managers had been working under a ball and chain because Barnes was having cash flow problems," explained Jim Galbraith III, Foxworth-Galbraith's vice president.

Barnes Lumber had a 33% increase in sales last year to $9 million, primarily due to dramatic increases in its contractor business, which accounted for about 60% of its total volume. However, those gains masked its profitability picture, which had been fading for several years.

The chain, a family-owned company founded in 1908, at one time had more than 35 units back in the 1940's, mostly in smaller, rural markets. But as consumers gravitated to urban areas and began shopping in larger convenience stores, many of the Barnes units were shuttered.

By 1977, store count had dropped to 13, and over the next six years, four more stores were closed in Betram, Burnet, Marlin and San Saba, Tex.

Galbraith told *NHCN* that while sales had grown steadily in 1982 and 1983 out of the remaining nine stores, the company suffered net losses totaling $400,000.

"While it [the chain] wasn't approaching bankruptcy, if this situation would have continued another year, the owners would have had to infuse a considerable amount of their own money

(Continued on page 49)

NEWSBREAKS

KNOX LUMBER GOES WAREHOUSE. More than 35% of the fixturing in the Minneapolis chain's new 46,000-sq.-ft. unit in Newport, Minn., is warehouse racking, the first time this has been used extensively in the stores.

SCOTTY'S OPENS THIRD HARDWARE STORE. Earlier this month, the Florida chain held a grand opening in Barton, Fla., for a 6,000-sq.-ft. entry in its string of hardware stores.

INSIDE:

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NHCNews Briefs

Industry Update

K mart to be Louisville slugger

TROY, Mich.—K mart reportedly plans to open two home centers in Louisville, Ky. The company has struck a deal for three former Cook United outlets, only one of which will be a discount store, *NHCN* has learned.

The stores will not be called The Home Team, a name that was developed for the ill-fated joint warehouse home center venture with Hechinger (*NHCN*, May 21). A list of perhaps 10 alternate names has been submitted for registration. One of the names that had been under consideration, according to several sources, was Builders Square.

K mart's three Chicago warehouse home center openings are still set for September. An exact date could be determined this month.

With The Home Team name now available for use by Hechinger, it is not clear that the 43-store chain will adopt it for its warehouse outlets.

"We're still debating it," said John Hechinger, president.

Also being debated is whether or not to set up a separate warehouse division to run the Hechinger warehouse stores, the first of which is set to open in Raleigh, N.C., in September.

So far Hechinger warehouse store matters are being handled by company executives according to their normal areas of responsibility.

In the meantime, the company's income for the first quarter, which ended April 28, was up 39% to $3.4 million on sales of $64.7 million, an advance of 36%.

Erb opening 140,000-sq.-ft. DC

BIRMINGHAM, Mich.—Erb Lumber, a $137 million chain of 36 home centers, was scheduled to hold a grand opening June 14 for a 140,000-sq.-ft. distribution center in Mount Clemens, Mich.

"The new facility will allow us to provide better service levels to our [21] stores in Michigan," said John M. Erb, vp of retail operations.

The new facility replaces three smaller distribution centers based in the Detroit suburbs. One stocked kitchen cabinets, another windows and a third prehung doors.

Because trucks formerly were loaded with one of the three lines of merchandise, based on the center to which they are assigned, and because the supply of trucks was limited, stock-outs occurred on store shelves when scheduling could not be arranged for units needing the merchandise.

With the new distribution center, however, the same number of trucks will be employed to move all three categories of merchandise to stores assigned by region. Because this arrangement makes scheduling easier, the incidence of stock outs should be reduced, noted Erb.

The $2 million center, construction of which was financed internally, is positioned on 20 acres of a 69-acre plot.

HCA calls in 2.42 mil. warrants

SAN ANTONIO—Home Centers of America, operators of 10 warehouse stores in Texas, has called its 2,420,000 outstanding warrants.

The warrants, which were issued as part of the original stock offering by the company on May 13, 1983, entitled holders to convert each warrant and an additional $5 in cash for one common share in the company.

Home Centers of America redeemed warrants still outstanding after 5 p.m. on June 14 for 25¢ each.

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Somerville shatters $1M week sales mark; sets industry record

SOMERVILLE, Mass.—For the first time in the history of the home center industry, a single store has done over $1 million in sales in a week.

Somerville Lumber's flagship store here rang up a record-breaking $1,014,614 during the seven-day period of May 20 through 26, with volume during May 22 and May 24 exceeding $180,000 for each day. Over the same seven-day period, the company's newer store in Westboro did a more than respectable $385,000.

For the month of May, the two units did $5.2 million in sales, the biggest month in the company's 28-year history. The Somerville unit had $3.7 million in volume for the month, while Westboro's sales totaled $1.4 million.

Through the first five months of 1984, the Somerville store's revenue is up about 20% over the same period last year, and Westboro's sales have risen an impressive 38% compared with the same period in 1983.

At this pace, Somerville Lumber, which since March has been a subsidiary of Payless Cashways in Kansas City, could do close to $60 million out of these two stores this year, compared with $47 million in 1983.

"We always underestimate our potential at Somerville Lumber, thinking our business can't get any larger, but somehow it always does," said company vice president and general manager Harold Cohen.

Prior to the $1 million week, the Somerville unit's weekly sales never exceeded $900,000. "We've been around $890,000, $892,000, but nothing like this," he said.

Two factors worked in concert to produce that week's landmark business. May was the first month in which Somerville ran two ad circulars: one on April 29 and the other on May 20. The latter circular was a lead-in to the Memorial Day weekend, which Cohen said generated "incredible amounts of sales. Our biggest days were Thursday and Friday before the holiday."

Lumber and building materials sales accounted for 43.5% of that one week's overall volume, or $441,357, with bath and plumbing making up 17.9%, kitchens 13.1%, hardware and paint 11.4%, appliances 6.8%,

(Continued on page 50)

Lumber City tossing 'DIY Decathlon'

VAN NUYS, Calif.—Neiman-Reed's Lumber City is gearing up for a major "DIY Decathlon" contest and promotion to raise money for sports charities, prior to the summer Olympics in Los Angeles.

The 12-unit home center chain based in the San Fernando Valley is hoping to raise at least $30,000 to establish a trust fund for young athletes in the area, explained Bob Neiman, Lumber City president.

The decathlon is being promoted with a $25,000 radio campaign and prominent mention in Lumber City's weekly circular distributed to 697,000 households.

Semifinals will take place on July 14 at seven Lumber City locations, with winners of those events advancing to the finals to be held the following day at the Sherman Way Lumber City in Van Nuys. Entrants are vying for a truck and van, each containing $10,000 worth of donated merchandise.

While the bonafide Olympic decathlon is designed to determine the best all-round athlete in 10 track and field events, the Lumber City "DIY Decathlon" isn't quite as demanding.

Contestants will participate in paint brush tosses, putting together PVC pipe, guessing how many nails are in a jar and similar contests.

Neiman said Lumber City is also participating in an officially sanctioned Olympic event—the Olympic Torch program. Lumber City donated $36,000 to the Y.M.C.A. for the right to decide who would carry the torch 12km on its journey from Athens, Greece, to the Los Angeles Coliseum where opening and closing ceremonies are slated to occur. The 12 individuals selected to carry the torch under the Lumber City banner for a distance of 1km each were chosen in a drawing.

April resales hit 3.07 mil.

NATIONAL REPORT—April's single-family home resales topped the three million mark for the second consecutive month, according to the National Assn. of Realtors.

Existing home sales rose by 1.7% above March's already high figure, to 3.07 million units, seasonally adjusted, and reached their highest level since October 1980.

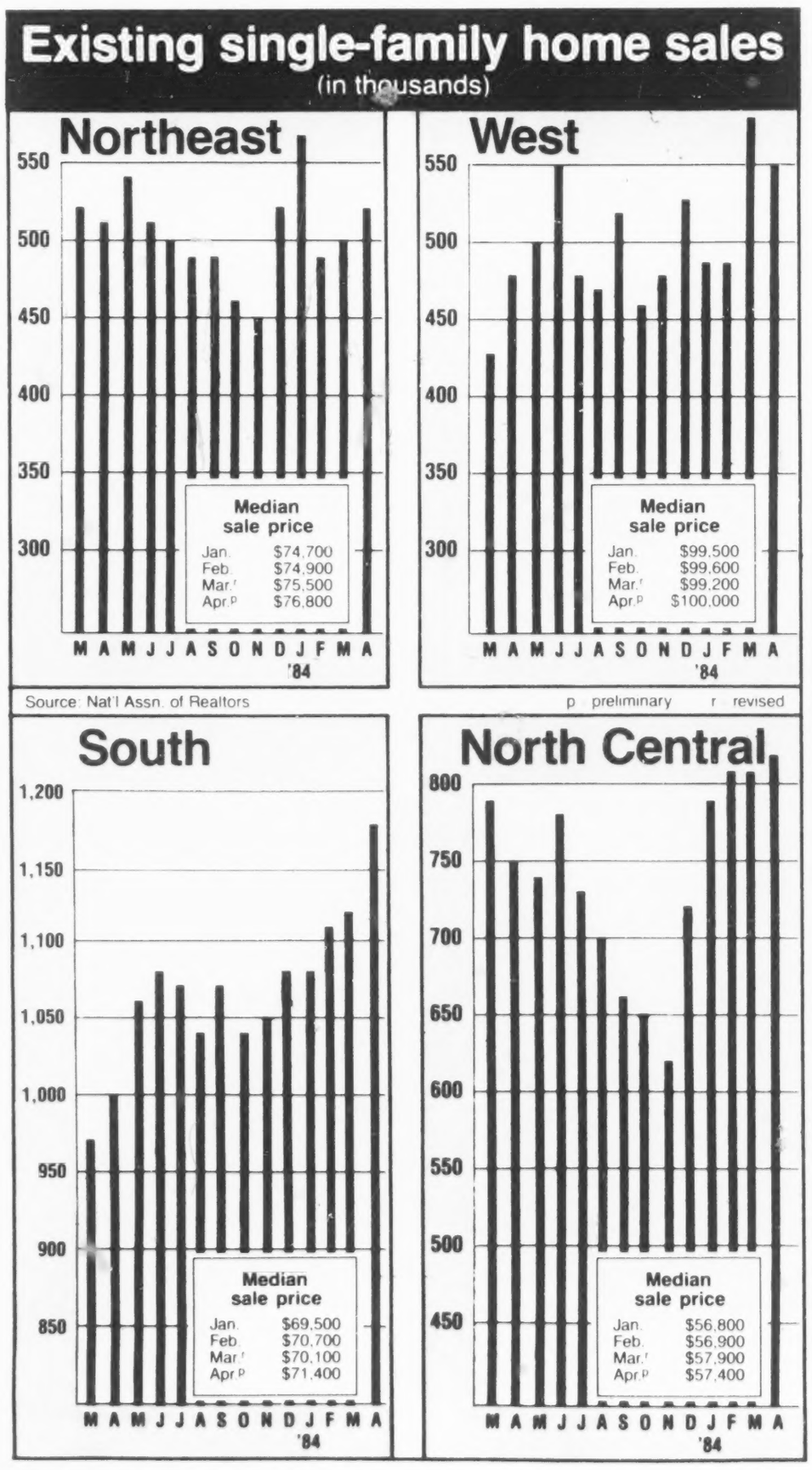
Dr. Jack Carlson, the NAR's chief economist and executive officer, said the home resales figures reflected "a continuing strong demand for homeownership despite high and rising interest rates."

Interest rates for fixed-rate mortgages rose above the crucial 14% level in April, where prospective home-buyers drop out of the market. "Even adjustable rate mortgages [ARM's] which have been taking the sting out of the high cost of mortgage financing now are proving unaffordable for many potential home-buyers." Carlson said.

ARM's have risen from 11% interest rates in February, through 11.75% in March to over 13% in April. This will have a dampening effect on home resales as ARM's accounted for 60% of all mortgages closed in April, compared with 30% for April 1983.

High interest rates were also blamed for the 4.9% drop in new single-family home sales in April. According to the Assn. of Home Builders, resales fell from a seasonally adjusted rate of 667,000 units in March to 634,000 in April.

The median price for a single-family existing home in the United States rose by $400 in April over the previous month, although price rises have been minimized by rising interest rates.



Existing home sales in April reached three million units, seasonally adjusted, the highest since October 1980, according to the National Assn. of Realtors. Home sales in the South were up 5.4% above March figures to 1.18 million units. The median sales price for a single-family home rose by $400 over March.

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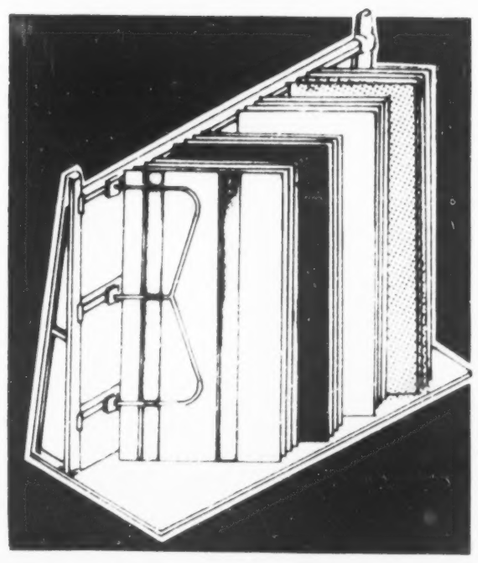

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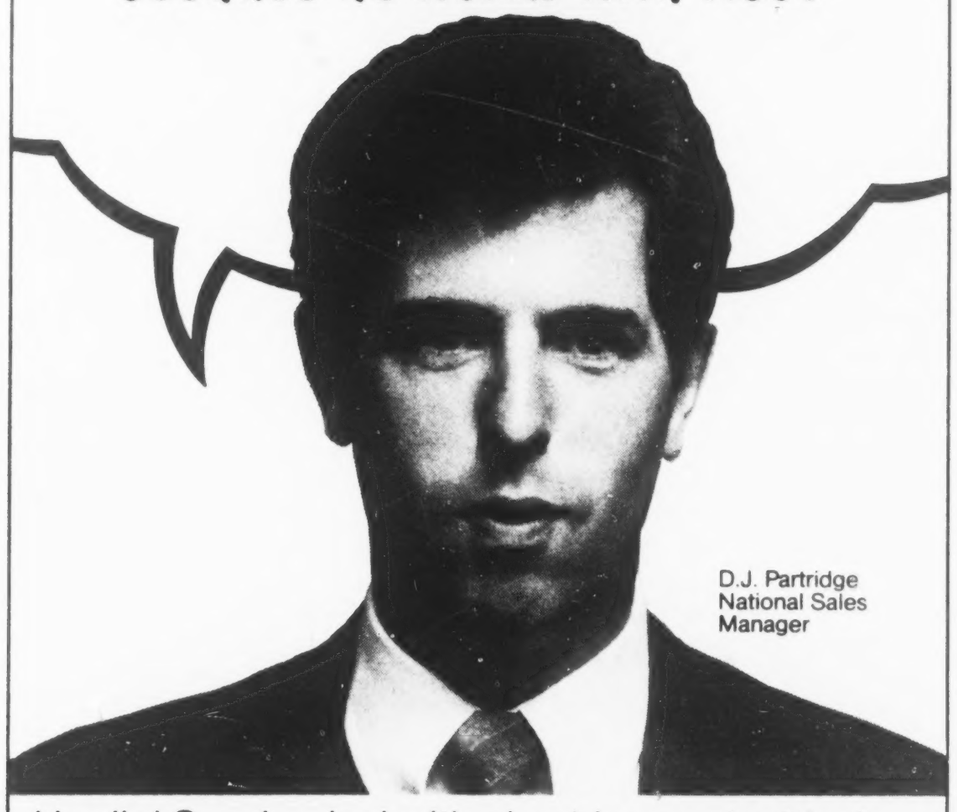

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LUMBER REPORT

Retailers to buy cautiously to end of year

Mill production depresses prices despite 2M mark housing surge

By Kenneth Schept
NHCN executive editor

NATIONAL REPORT—The numbers don't add up.

Housing starts climbed to just short of the two million mark in April with 1.963 million seasonally adjusted units, up 27% from a year earlier. Simultaneously, the composite framing lumber price was off about 6% to $217 per thousand board feet and Western s-p-f, a primary building commodity, was down 13% to $165 per thousand board feet, according to Random Lengths.

Indeed, s-p-f prices were off about 25% from their 52-week average price, according to figures compiled by Stotler & Co., a Spokane, Wash., futures trading firm. Southern lumber prices have been somewhat more stable because of demand from treaters.

"This is the first time in my 30 years of kicking around this business that we've had a 1.8 million housing start rate with prices this low," said Gordon King, president of the North American Wholesale Lumber Assn.

Interest rates and economic uncertainty are mentioned as reasons for this unlikely phenomenon. The weather is also seen as a factor since building was rained out in much of the country during early spring. But King and other observers point first to the mills and an oversupply of wood resulting from excess production and an abundance of lumber in storage.

At the same time, buyers are not buying, even at these bargain prices. "There's been an inventory revolution in our industry," observed Phil Chiricotti, futures trader with K & S Commodities, Chicago. "The retailer's become the smartest segment in the industry. He's becoming smarter."

As a merchandising vp at a major home center chain noted, the time to take a major position is when the market swings and sales opportunities are anticipated. Dealers expect good sales for the rest of the year, but most do not expect lumber prices to rebound substantially.

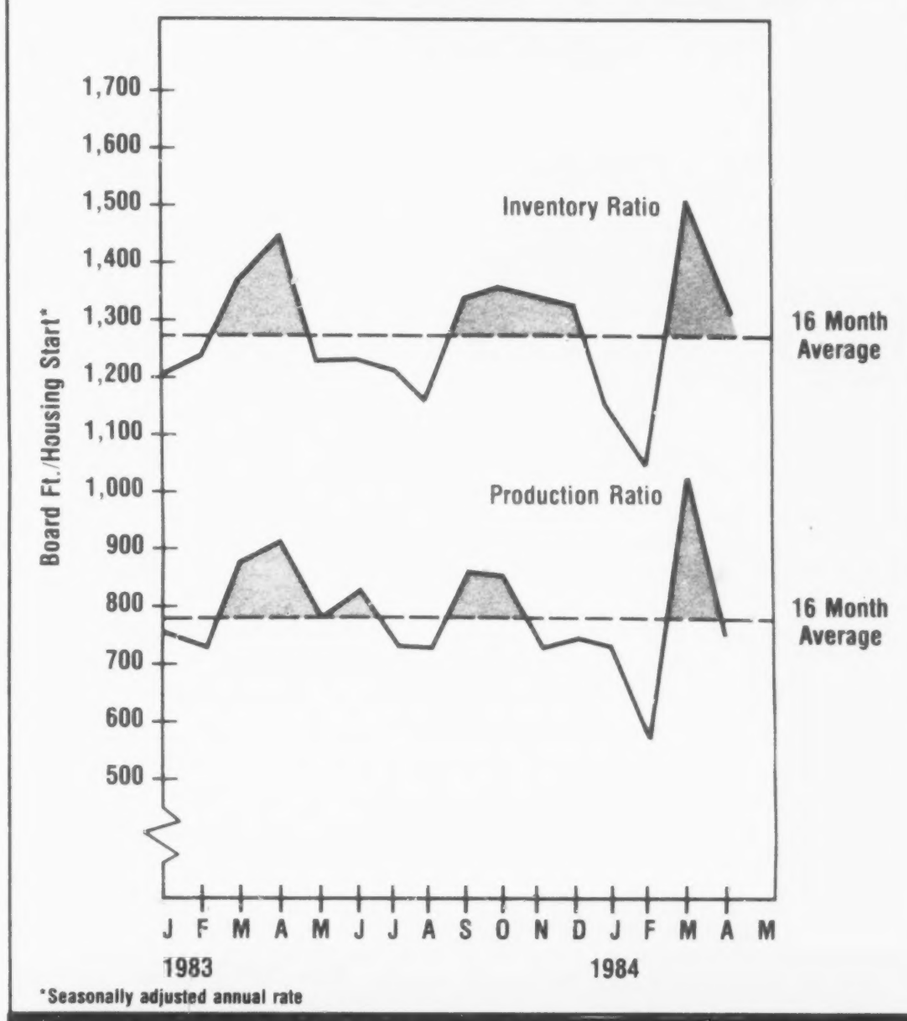
"Inventory now is at a relatively conservative level," said the merchandising vp. "I don't think it is the time for a great deal of speculation.

"We'll keep four-to-five million board feet [of Western wood] on hand, which would last five weeks," said Bob White, West Building Materials product line manager for lumber and plywood. "You just play it for the best number that's out there when you need the wood. With no signs of prices going up, there's no urgency to buy."

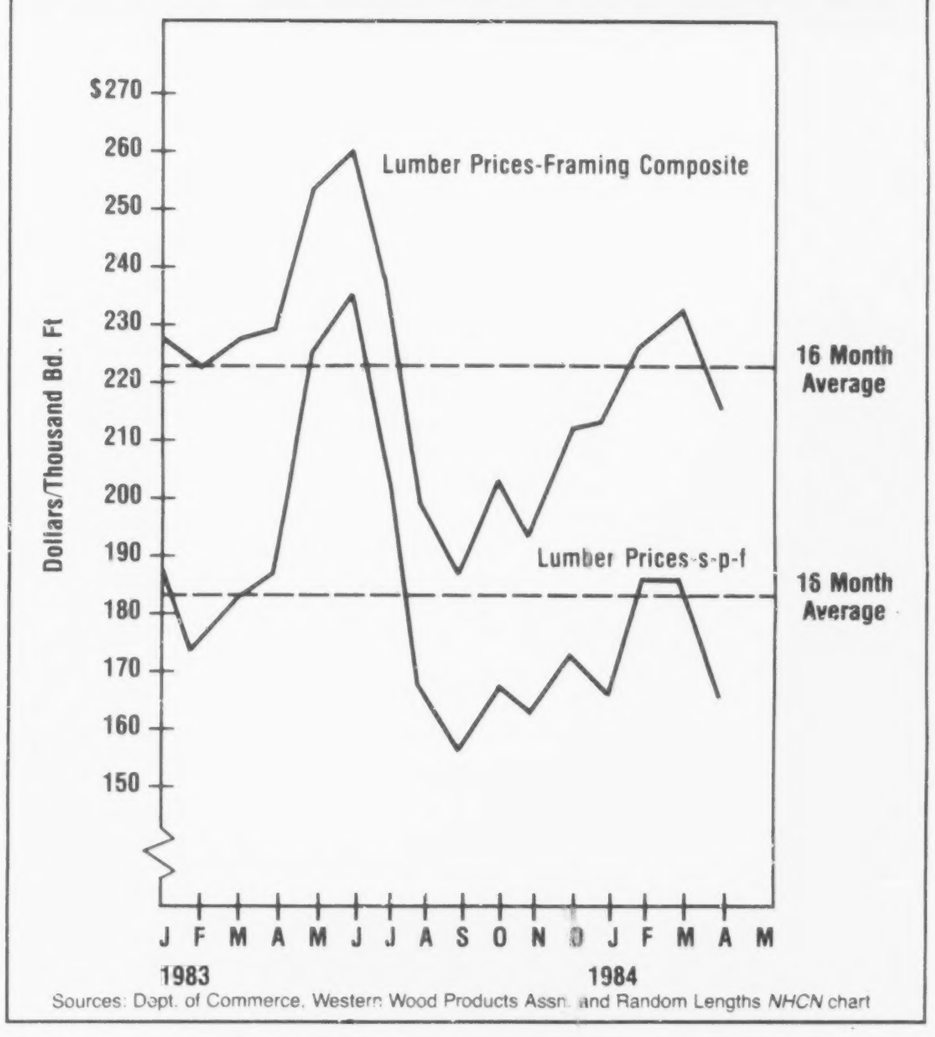
Cautious buying, of course, will not deplete the market's oversupply. So dealer predictions about level prices would well become a self-fulfilling prophecy, although more aggressive customers could pounce if it looks like the market is rising.

"We're generally pretty optimistic," said Frank Robinson, forest products vp of Builder Marts of America, a $400 million buying group. "We know many of our dealers have nice order files with the weather being a real deterrent to getting the wood to the job sites. We expect a nice surge when weather allows them to get the wood out."

Lumber production and inventory rose substantially this spring relative to housing starts, then adjusted somewhat. . . .



. . . But not before creating an excess supply that sent prices plummeting.



Sources: Dept. of Commerce, Western Wood Products Assn. and Random Lengths *NHCN* chart

In the top chart monthly lumber inventory and production are divided by seasonally adjusted total housing starts. The comparison demonstrates this spring's relatively high level of inventory and production relative to starts, although the March spike may be exaggerated because of the unusually severe drop in starts that month. The lower chart compares the framing lumber composite and s-p-f prices to the price average of each during a 16-month period. While the trends are similar, s-p-f prices suffered particularly, while the framing lumber composite reacted more modestly in part because of the relative strength of one of its constituents, Southern yellow pine, which is in great demand for treating.

The market's psychology does not seem right, however, for a major dealer buying spree. "The concern is that there is no depth this year," said Don Zwanzig, a Stotler & Co. futures broker. "The higher mortgage rates killed housing for July and August."

He added, "Until a dealer can see more clearly what interest rates are going to do, he has a lot of reason for concern and would have a lot to justify in taking more than four-to-five weeks' inventory."

Some argue that in the midst of an election year there is cause for optimism, since no Administration measures to slow the economy are likely before November. The Federal Reserve, however, seems to be acting independently of President Reagan's re-election con-

(Continued on page 13)